

**[ DND DEPARTMENT CIRCULAR NO. 01, March 06, 2000 ]**

**IMPLEMENTING GUIDELINES, RULES AND REGULATIONS OF THE  
ARMED FORCES OF THE PHILIPPINES MODERNIZATION  
PROGRAM**

**Chapter 1.0. GENERAL PROVISIONS**

*ARTICLE 1.1. General Policies, Guidelines and Objectives*

1.1.1. The Armed Forces of the Philippines (AFP) shall be modernized to a level where it can effectively and fully perform its constitutional mandate to uphold the sovereignty and preserve the patrimony of the Republic of the Philippines.

1.1.2. The AFP Modernization Program shall have the following objectives:

- a. To develop the AFP's capability to uphold the sovereignty and territorial integrity of the Republic and to secure the national territory from all forms of intrusion and encroachment;
- b. To develop its capability to assist civilian agencies in the preservation of the national patrimony, including the country's living and non-living marine, submarine, mineral, forest and other natural resources located within its territory and its exclusive economic zone;
- c. To enhance its capability to fulfill its mandate to protect the Filipino people not only from armed threats but from the ill effects of life-threatening and destructive consequences of natural and man-made disasters and calamities, including typhoons, earthquakes, volcanic eruptions, major accidents in far flung or inaccessible terrain or at sea and from all forms of ecological damage;
- d. To improve its capability to assist other agencies in the enforcement of domestic and foreign policies as well as international covenants against piracy, white slavery, smuggling, drug trafficking, hijacking of aircraft and sea craft and the transport of toxic and other ecologically harmful substances taking place in or through Philippine territory;
- e. To enhance its capability in the conduct of Internal Security Operations (ISO), particularly in the suppression of insurgency and other serious threats to national security;
- f. To enhance its capability to fulfill the country's international commitments; and
- g. To develop its capability to support national development.

1.1.3. The AFP Modernization Program shall have the following components:

- a. Force Restructuring and Organizational Development (Program I);
- b. Capability, Materiel, and Technology Development (Program II);
- c. Bases/Support Systems Development (Program III);
- d. Human Resources Development (Program IV); and
- e. Doctrines Development (Program V).

1.1.4. The AFP Modernization Program shall be implemented over a period of fifteen (15) years. However, payments for amortization of outstanding multi-year contract obligations incurred under the Program may extend beyond this period.

1.1.5. The AFP shall prepare and periodically update the Five (5) — Year Rolling Plan which contains the list of AFP Modernization Program projects, the future years' defense program reflecting the AFP's action to keep abreast with changing security concerns and advances in technology, and the estimated expenditures and proposed appropriations for each project. The Five (5) - Year Rolling Plan shall cover the fiscal year with respect to which it is submitted and the four (4) succeeding fiscal years. It shall be submitted to the Secretary for approval.

## **ARTICLE 1.2. Purpose and Coverage**

1.2.1. The Implementing Guidelines, Rules and Regulations (IGRRs) prescribed herein are issued pursuant to Section 4 of the AFP Modernization Act and shall govern the implementation of all the programs and projects under the AFP Modernization Program approved by Congress through Joint Resolution No. 28.

1.2.2. Chapter 8.0 of these IGRRs governs the AFP Modernization Act Trust Fund.

1.2.3. These IGRRs contain the implementing rules and regulations for Section 2 of Executive Order No. 201 (2000).

**ARTICLE 1.3. Definition of Terms** — For purposes of and as used in these IGRRs, the terms hereunder shall be construed as follows:

1.3.1. "AFP" refers to the Armed Forces of the Philippines.

1.3.2. "AFP Modernization Act" refers to Republic Act No. 7898 which was enacted into law on 23 February 1995.

1.3.3. "**AFP Modernization Act Trust Fund**" or "**AFPMATF**" refers to the trust fund created under Section 11 of the AFP Modernization Act.

1.3.4. "**AFP Modernization Program**" or "**Program**" or "**AFPMP**" refers to the modernization program submitted by the President of the Philippines pursuant to Section 7 of the AFP Modernization Act and approved by Congress through Joint Resolution No. 28, dated 19 December 1996.

1.3.5. An "**Authority to Transfer Fund**" or "**ATF**" is a document issued by AFP-GHQ to an authorized government depository bank (AGDB) authorizing the transfer of cash deposit to the AGDB branches of the Major Services and Government Arsenal to support the funding of the allotment transferred.

1.3.6. A "**Bid Evaluation Plan**" or "**BEP**" is a comprehensive document that contains the procedure for the acquisition of an equipment or weapons system, indicating the method of procurement, conduct of prequalification of bidders and the

bidding proper up to and including the award of the contract. It includes the method and criteria to be adopted in the evaluation and assessment of bidders' prequalification statements and the method and criteria for the evaluation and assessment of bids. The Bid Evaluation Plan also includes provisions for the integration and evaluation of countertrade proposals.

1.3.7. A "bid security" is provided to the procurement agency to ensure that the successful bidder shall enter into a contract with the agency when awarded the contract within the time specified in the Notice of Award and furnish the required performance security. Its form, amount and other attributes are governed by existing laws, rules and regulations, unless otherwise indicated in these IGRRs.

1.3.8. A "**Combo Account**" is a combination of savings and current deposit accounts maintained in an AGDB against which all disbursements of AFPMP shall be made. The account is credited to the amount of deposit and is charged with commercial checks drawn.

1.3.9. "**Circular of Requirements**" or "**COR**" defines the operational and technical requirements of the equipment or weapons system to be procured. It is presented in the context of the National Defense Strategy, the likely operational scenarios, and the doctrines or concept of operations in which such equipment or weapons system shall be employed. It shall likewise include, as applicable, Force Restructuring, Human Resource Development, Base Development, and other support requirements. If the equipment is part of a systems-mix, such as maritime surveillance, which involves air and sea operations, the concept of operations of the systems-mix shall also be stated. Similarly, in the case of equipment or weapons systems, which have to be operationally inter-phased or integrated with civilian agencies of the government (e.g., air defense radar with civilian air traffic control system), the concept of inter-phase or integration shall be incorporated.

1.3.10. "**Construction**" means all materials and services associated with the site preparation, excavation, erection, building, installation of equipment or materials, decoration and finishing, construction, reconstruction, demolition, repair or renovation of a building, structure or works, as well as services incidental to construction such as drilling, mapping, satellite photography, seismic investigations and similar services provided pursuant to the procurement contract, if the value of those services does not exceed that of the construction itself.

1.3.11. "**Contract Negotiation**" is the second stage in the procedure for the acquisition of equipment and weapons systems under the capability, materiel and technology development component of the AFP Modernization Program. It involves the bidding process, including the prequalification of bidders and award of the contract.

1.3.12. "**Countertrade or countertrade arrangement**" refers to arrangements mentioned in Executive Order No. 120 (1993) and its implementing rules and regulations designed to compensate for foreign exchange outflow, open new markets for Philippine products and services, overcome quota and trade restrictions of other countries, and provide for technology transfer to and industrial growth of the Philippines.

1.3.13. "**Department**" or "**DND**" refers to the Department of National Defense.

1.3.14. **"Doctrine"** refers to the fundamental principles by which the armed forces or elements thereof guide their actions in support of national objectives.

1.3.15. **"Equipment"** refers to all non-expendable items needed to outfit or equip an individual or organization.

1.3.16. **"Equipment Acquisition"** is the first stage in the procedure for the acquisition of equipment and weapons systems under the capability, materiel and technology development component of the AFP Modernization Program. It involves the formulation of the Circular of Requirements (COR) and the preparation of the Bid Evaluation Plan (BEP).

1.3.17. **"Force structure"** refers to the number, size, and composition of the units that comprise the defense force.

1.3.18. **"GA"** or **"Arsenal"** refers to the Government Arsenal, a bureau under the Department created by Republic Act No. 1884, as amended.

1.3.19. **"Implementing Guidelines, Rules and Regulations"** or **"IGRRs"** refers to the guidelines, rules and regulations prescribed in this Department Circular.

1.3.20. A **"Major Equipment or Weapons System"** refers to one of a limited number of systems or sub-systems, which, for reasons of military urgency, criticality, or resource requirements, is determined by the Department of National Defense as being vital to the interests of national defense and security.

1.3.21. A **"manufacturer"** refers to an entity which makes, develops, fabricates, assembles, builds or otherwise produces an equipment or weapons system. In case of equipment or weapons systems involving sub-manufacturers, the manufacturer for each part or sub-system shall be required to make the undertaking for the availability of after-sales services and spare parts mentioned in item 3.1.1(e) hereunder, in addition to the undertaking of the principal manufacturer.

1.3.22. A **"margin of preference"** is an additional point or points granted to a bidder which, all other terms and conditions being equal, provides additional proposals considered advantageous to the government. Such margin shall be calculated in accordance with the Bid Evaluation Plan, stated in the bid documents and contained in the record of procurement proceedings.

1.3.23. **"Modernization"** refers to the upgrade of forces, units, equipment, and weapons systems. It includes the development of a self-reliant and credible strategic armed force along the concept of a Citizens' Armed Forces; the reconfiguration of the Armed Forces of the Philippines structure; the professionalization of the AFP; the undertaking of reforms in the recruitment, training, employment and management of AFP personnel; the development, validation or modification of AFP doctrines; the acquisition and upgrading of appropriate technology and equipment; and the relocation, improvement, and construction of bases and other facilities.

1.3.24. **"Multi-Year Obligational Authority"** or **"MYON"** is an authorization by the Department of Budget and Management (DBM) to incur obligations or enter into contracts within the specified amount approved by Congress Joint Resolution No. 28. This will assure that funds are available to cover all payments under the multi-year contracts required each year for the implementation of the projects identified therein.

1.3.25.                **"National Defense Strategy"** is the strategy that prescribes national security and defense policies to meet the objectives, purposes and interests of the nation.

1.3.26.                A **"Notice of Award"** is a formal communication made to the bidder whose bid was determined by competent authorities to be the lowest evaluated responsive bid.

1.3.27.                A **"Notice of Cash Allocation"** or **"NCA"** is a formal document issued by DBM authorizing DND-AFP to withdraw a specific amount from the servicing bank through the use of Modified Disbursement Scheme (MDS) checks for deposit to a Combo Account maintained in an AGDB.

1.3.28.                A **"Notice to Proceed"** informs the winning bidder when to begin the performance of its obligations under the contract and determines the date of effectivity of such contract.

1.3.29.                **"Omnibus Forward Obligational Authority"** or **"OFOA"** refers to the comprehensive authority issued by DBM to DND-AFP certifying that funds shall be made available to cover the total cost of the AFP Modernization Program as approved under Congress Joint Resolution No. 28.

1.3.30.                A **"procurement agency"** for purposes of projects involving the acquisition of equipment and weapons systems under the capability, materiel and technology development component of the AFP Modernization Program, refers to the General Headquarters, AFP (AFP-GHQ). For purposes of projects falling under the other components of the Program, the "procurement agency" shall be the Major Services.

1.3.31.                **"Regular Force"** refers to the force largely or wholly composed of professional soldiers maintained in time of peace to protect the people, secure the sovereignty of the State and the integrity of the national territory. It forms the nucleus for expansion in time of emergency.

1.3.32.                **"Reserve Force"** refers to members of the armed forces who are not in active service but who are subject to call to active duty.

1.3.33.                **"Secretary"** or **"SND"** refers to the Secretary of National Defense.

1.3.34.                **"Sophisticated defense equipment and weapons systems"** refers to highly specialized types of equipment and weapons systems the procurement of which entails a high level of risk, more management resources and greater complexity; and whose manufacturer is an entity owned or operated by a sovereign State or whose export is restricted or otherwise regulated by the manufacturers government. For purposes of determining ownership under this definition, ownership by a State of at least a controlling interest in the manufacturing entity shall suffice. in instances where the manufacturing entity is owned or operated by more than one State, the guarantee referred to in the term in the succeeding definition shall be provided by all such States.

1.3.35.                **"Sovereign or government guarantee"** refers to a statement or declaration issued by a government guaranteeing that a bidder shall, within the time specified in the Notice of Award, enter into a contract with the Department of National Defense of the Republic of the Philippines and furnish the required security for the faithful performance of its obligations under the contract.